MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

PAT0074 – INTRODUCTION TO FINANCIAL ACCOUNTING

(Foundation in Business)

08 MARCH 2016
9.00 a.m -11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX** pages with **SIX** questions.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

STRUCTURED QUESTIONS[100 MARKS]

Instructions: Answer **ALL** questions in this section. Write your answers in the Answer Booklet.

Question 1

Part A

A business purchased a machine on 1 March 2012 at a cost of RM100,000. The machine had an estimated residual value of RM20,000 and a life of five years. The machine was sold for RM38,000 on 31 December 2015. The company ignores the dates during the year that the assets were bought or sold, merely calculating a full period's depreciation on the assets in use at the end of the period. Depreciation for the machine was charged at 20% per annum.

Required

a) Calculate the **accumulated depreciation** for this machine as on 31 December 2015 using the:
   i) Straight line method (2 marks)
   ii) Reducing balance method (7 marks)

b) Calculate the profit or loss on disposal of this machine using the:
   i) Straight line method (2.5 marks)
   ii) Reducing balance method (2.5 marks)

Part B

Maria operates a bakery shop. The following unadjusted amounts were taken from the company's unadjusted trial balance at December 31, 2015:

Insurance expense	RM12,000
Rental expense	RM55,000

In addition to the rental expense paid during the year as stated above, rental have not been paid for December 2015 which amounts to RM5,000. The insurance expense represents insurance paid for the period September 1, 2015 through February 29, 2016. Maria bakery's accounting year ends on December 31 every year.

Required

a) How much should be reported on the profit and loss account for the year ended December 31, 2015 for Insurance Expense and Rental Expense? (4 marks)

b) How much should be recorded on the balance sheet at December 31, 2015 for accrued expenses and prepaid expenses? (2 marks)

(Total 20 marks)

Continued...

Question 2

Below are the transactions occurred in Melaka Archery Club for the year ended 31 December 2015. Please identify the effect of each transactions to Receipts and Payment Account and Income and Expenditure Account.

		Receipts and payment account for 31 December 2015		Income and Expenditure Account for 31 December 2015	
	Items	Receipts	Payment	Income	Expenditure
	Example 1: Stationery purchased in 2015		√		√
	Example 2: Pay rental in advance for 2015		√	NA	NA
a)	Subscription received for the current year				
b)	Donation received during the year				
c)	Equipment purchased and paid in 2015				
d)	Payments for building purchased in 2015				
e)	Rental received in 2015				
f)	Salaries paid for the year 2015				
g)	Subscription for 2015 received in 2014				
h)	Subscription for 2014 received in 2015				
i)	Depreciation on equipment				
j)	Pay utility bills for 2015				

***Please copy this table to your answer booklet**

(Total 15 marks)

Continued...

Question 3

Aida and Amir are in partnership sharing profits and losses in the ratio of 3:2 respectively. The following is the trial balance as at 31 December 2015.

Aida and Amir
Trial balance as at 31 December 2015

	Dr RM	Cr RM
Land	210,000	
Accounts receivables	30,000	
Accounts payables		60,450
Bank	16,500	
Inventories at 31 December 2014	80,200	
Sales		94,000
Purchases	16,400	
Rental expenses	66,500	
Provision for doubtful debts		800
Capitals: Aida		50,000
Amir		100,000
Current accounts: Aida		85,750
Amir		87,000
Drawings: Aida	30,400	
Amir	28,000	
	478,000	478,000

The following information is provided:

a) Inventories as at 31 December 2015, RM92,400.
b) Bad debts written off on 31 December 2015, RM900.
c) Reduce provision for doubtful debts to RM700.
d) Aida and Amir received salaries RM4,000 and RM4,500 respectively.
e) Interest on drawings: Aida RM800; Amir RM700.
f) Interest on capital account balances at 10%.

Required

Prepare the income statement including the profit and loss appropriation account for the year ended 31 December 2015.

(Total 15 marks)

Continued...

Question 4

A company has 200,000 RM1 ordinary shares, 60,000 8% cumulative preference shares of RM1 each and 20,000 1% non-cumulative preference shares of RM10 each. The profits available for dividends are as follows.

Year	1	2	3	4	5
Profits	RM8,000	RM2,000	RM7,000	RM10,000	RM11,000
a) Cumulative Preference dividend					
b) Non-cumulative Preference dividend					
c) Ordinary dividend					

***Please copy this table to your answer booklet**

Required

Show systematically the preference dividend and ordinary dividend for all the years by using the above format.

(Total 15 marks)

Continued...

Question 5

		Inflow(I)/ Outflow(O)	Cash flow Activities (Operating/Investing/ Financing)
	Example: Purchase of equipment	O	Investing
a)	Issuance of ordinary share capital		
b)	Repayment of long term loan		
c)	Collections from customers		
d)	Increase in account receivable balance		
e)	Sale of building		
f)	Cash paid out as a loan		
g)	Interest on loan payment		
h)	Payment of dividends		
i)	Gain on sales of investment		
j)	Increase in accounts payable balance		

***Please copy this table to your answer booklet**

Required

For each of the above activities indicate whether they cause cash inflow or cash outflow and state in which activities of the statement of cash flow (operating/investing/financing) the activities will be recorded.

(Total 20 marks)

Continued...

Question 6

The financial statements for Rayza Company are as follows:

Income Statement for the year ended 31 December 2015

	RM '000
Net sales (all credit)	8,000
Cost of goods sold	(3,300)
Gross profit	4,700
Operating expenses (including RM500 depreciation)	(3,000)
Operating income	1,700
Interest expense	(367)
Profit before taxes	1,333
Income taxes	(533)
Net profit	800

Statement of Financial Position as at 31 December 2015

	RM '000
Inventory	1,000
Cash	500
Accounts Receivables	2,000
Current assets	3,500
Net Non Current-Assets	4,500
Total assets	8,000
Accounts Payables	1,100
Accrued expenses	600
Short-term loan payable	300
Current liabilities	(2,000)
	6,000
Long-term liabilities	2,000
Owners' equity	4,000
	6,000

Required

Calculate the following ratios:

a) Times interest earned ratio (3 marks)
b) Return on assets ratio (3 marks)
c) Net profit margin (3 marks)
d) Debt to total assets ratio (3 marks)
e) Acid test ratio (3 marks)

(Total 15 marks)

End of Paper